



Financial Statements

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)



**and
Report Thereon**



**Reports Required in Accordance with the
Uniform Guidance**

For the Year Ended December 31, 2022



CONSERVATION LEGACY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Conservation Legacy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Conservation Legacy (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, starting on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
September 29, 2023

CONSERVATION LEGACY
STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

| | 2022 | 2021 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 498,795 | \$ 3,110,493 |
| Accounts receivable | 1,993,846 | 972,249 |
| Grants and contributions receivable | 5,411,234 | 4,237,342 |
| Prepaid expenses | 460,006 | 178,347 |
| Total Current Assets | 8,363,881 | 8,498,431 |
| Other assets | 356,031 | 228,388 |
| Investment in SIEC | 1,222,335 | 1,245,502 |
| Operating lease right of use asset | 253,320 | - |
| Property and equipment, net | 6,070,586 | 5,523,033 |
| TOTAL ASSETS | \$ 16,266,153 | \$ 15,495,354 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 494,960 | \$ 605,895 |
| Accrued payroll expenses | 783,882 | 695,713 |
| Contract liabilities | 31,923 | 81,901 |
| Refundable advances | 586,226 | 381,901 |
| Financing lease liability, current portion | 1,179,933 | 592,757 |
| Operating lease liability, current portion | 147,341 | - |
| Line of credit | 978,589 | - |
| Notes payable, current portion | 80,933 | 87,831 |
| Paycheck Protection Program (PPP) loan payable, current portion | 22,540 | 268,076 |
| Total Current Liabilities | 4,306,327 | 2,714,074 |
| Financing lease liability, net of current portion | 976,078 | 1,424,332 |
| Operating lease liability, net of current portion | 102,065 | - |
| Notes payable, net of current portion | 768,191 | 836,354 |
| PPP loan payable, net of current portion | - | 22,537 |
| TOTAL LIABILITIES | 6,152,661 | 4,997,297 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 9,030,223 | 9,379,217 |
| Board-designated | 100,000 | 100,000 |
| Total Without Donor Restrictions | 9,130,223 | 9,479,217 |
| With donor restrictions | 983,269 | 1,018,840 |
| TOTAL NET ASSETS | 10,113,492 | 10,498,057 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 16,266,153 | \$ 15,495,354 |

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total | 2021 Total |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| OPERATING REVENUE AND SUPPORT | | | | |
| Revenue: | | | | |
| Contract services | \$ 5,584,198 | \$ - | \$ 5,584,198 | \$ 3,798,118 |
| SIEC building management fees | 19,597 | - | 19,597 | 55,418 |
| Other income | 125,771 | - | 125,771 | 105,359 |
| Rental income | 52,791 | - | 52,791 | 39,412 |
| Gain on the sale of property and equipment | 108,080 | - | 108,080 | 213,182 |
| Support: | | | | |
| Grants and contributions | 29,193,444 | 1,931,029 | 31,124,473 | 29,485,293 |
| Net assets released from purpose restrictions | 1,966,600 | (1,966,600) | - | - |
| TOTAL OPERATING REVENUE AND SUPPORT | <u>37,050,481</u> | <u>(35,571)</u> | <u>37,014,910</u> | <u>33,696,782</u> |
| OPERATING EXPENSES | | | | |
| Program Services | <u>34,252,876</u> | <u>-</u> | <u>34,252,876</u> | <u>30,155,262</u> |
| Supporting Services: | | | | |
| Management and general | 3,029,362 | - | 3,029,362 | 2,896,498 |
| Fundraising | 94,070 | - | 94,070 | 269,826 |
| Total Supporting Services | <u>3,123,432</u> | <u>-</u> | <u>3,123,432</u> | <u>3,166,324</u> |
| TOTAL OPERATING EXPENSES | <u>37,376,308</u> | <u>-</u> | <u>37,376,308</u> | <u>33,321,586</u> |
| Change in net assets from operations | (325,827) | (35,571) | (361,398) | 375,196 |
| NONOPERATING ACTIVITIES | | | | |
| Forgiveness of PPP loan and accrued interest | - | - | - | 1,537,697 |
| Equity loss on investment | (23,167) | - | (23,167) | (37,884) |
| CHANGE IN NET ASSETS | (348,994) | (35,571) | (384,565) | 1,875,009 |
| NET ASSETS, BEGINNING OF YEAR | <u>9,479,217</u> | <u>1,018,840</u> | <u>10,498,057</u> | <u>8,623,048</u> |
| NET ASSETS, END OF YEAR | <u>\$ 9,130,223</u> | <u>\$ 983,269</u> | <u>\$ 10,113,492</u> | <u>\$ 10,498,057</u> |

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

| | Program Services | | | | | | | | | | Supporting Services | | | 2022 Total | 2021 Total | |
|---------------------------------------|--------------------------------------|------------------------------------|----------------------------------|---------------------|--------------------------------------|-------------------------------------|------------------------------------|---|------------------|-------------------------------------|------------------------------|------------------------------|------------------|---------------------|----------------------|---------------------------------|
| | Stewards Individual Placements | Southwest Conservation Corps | Arizona Conservation Corps | Ancestral Lands | Appalachian Conservation Corps | New Mexico Conservation Corps | Southeast Conservation Corps | North Carolina Conservation Corps | Camp Atwater | Preserve America Youth Summit | Total Program Services | Management and General | Fundraising | | | Total Supporting Services |
| Stipends corps members | \$ 6,643,129 | \$ 2,079,644 | \$ 1,411,485 | \$ 1,018,964 | \$ 1,006,448 | \$ 777,458 | \$ 516,220 | \$ 440,391 | \$ 15,840 | \$ - | \$ 13,909,579 | \$ - | \$ - | \$ - | \$ 13,909,579 | \$ 12,884,610 |
| Staff wages | 1,585,544 | 2,714,448 | 1,666,430 | 1,641,234 | 708,526 | 618,100 | 590,716 | 524,487 | 18,428 | - | 10,067,913 | 1,464,005 | 66,427 | 1,530,432 | 11,598,345 | 9,794,444 |
| Payroll taxes and benefits | 1,335,757 | 828,520 | 510,862 | 411,326 | 274,131 | 241,433 | 201,960 | 161,363 | 3,375 | - | 3,968,727 | 254,199 | 12,398 | 266,597 | 4,235,324 | 3,723,838 |
| Program equipment & supplies | 252,381 | 415,036 | 114,369 | 207,550 | 94,726 | 51,329 | 86,571 | 162,550 | 9,460 | - | 1,393,972 | - | - | - | 1,393,972 | 1,372,026 |
| Contracted Services | 167,892 | 463,812 | 64,077 | 226,822 | 12,320 | 5,256 | 5,490 | 5,758 | - | 16,637 | 968,064 | 243,950 | 869 | 244,819 | 1,212,883 | 1,131,095 |
| Vehicle expense | 13,622 | 406,087 | 257,795 | 228,199 | 76,341 | 63,914 | 71,524 | 75,282 | 7,883 | - | 1,200,647 | 22,240 | 866 | 23,106 | 1,223,753 | 1,016,593 |
| Corps member development & incentives | 462,797 | 141,291 | 57,283 | 43,574 | 21,239 | 21,790 | 36,645 | 25,249 | 1,100 | - | 810,968 | - | - | - | 810,968 | 700,854 |
| Depreciation and amortization | 25,423 | 141,125 | 189,335 | 82,439 | 26,576 | 29,561 | 24,297 | 41,022 | - | - | 559,778 | 41,874 | 1,630 | 43,504 | 603,282 | 545,230 |
| Occupancy | 67,972 | 124,647 | 82,210 | 79,221 | 36,587 | 44,995 | 28,734 | 21,633 | - | - | 485,999 | 36,355 | 1,415 | 37,770 | 523,769 | 490,144 |
| Office and computer supplies | 98,767 | 69,125 | 45,069 | 50,380 | 21,124 | 21,640 | 15,716 | 22,808 | 748 | 321 | 345,698 | 25,860 | 1,007 | 26,867 | 372,565 | 312,431 |
| Insurance | 612 | 3,575 | 6,649 | 1,063 | 147 | 269 | 162 | 71 | - | - | 12,548 | 285,656 | 37 | 285,693 | 298,241 | 203,844 |
| Miscellaneous | 31,263 | 22,820 | 7,730 | 7,182 | 5,541 | 3,411 | 3,895 | 5,026 | 1,044 | - | 87,912 | 175,428 | 5,244 | 180,672 | 268,584 | 190,832 |
| Travel and meetings | 44,548 | 24,860 | 17,492 | 26,186 | 10,281 | 8,715 | 10,112 | 9,213 | 11,488 | 15,046 | 177,941 | 55,361 | 2,155 | 57,516 | 235,457 | 147,115 |
| Professional services | - | - | - | - | - | - | - | - | - | - | - | 229,498 | - | 229,498 | 229,498 | 319,814 |
| Staff development & incentives | 45,204 | 27,122 | 18,537 | 13,665 | 6,780 | 4,925 | 6,582 | 4,588 | 23 | - | 127,426 | 39,645 | 1,543 | 41,188 | 168,614 | 216,812 |
| Interest Expense | - | - | - | - | - | - | - | - | - | - | - | 142,988 | - | 142,988 | 142,988 | 120,829 |
| Recruitment | 11,879 | 20,469 | 10,811 | 9,566 | 6,662 | 3,054 | 4,529 | 3,522 | - | - | 70,492 | 5,273 | 205 | 5,478 | 75,970 | 57,007 |
| Background searches | 27,850 | 11,166 | 6,546 | 6,478 | 4,367 | 4,061 | 2,498 | 2,211 | 35 | - | 65,212 | 7,030 | 274 | 7,304 | 72,516 | 94,068 |
| TOTAL EXPENSES | \$ 10,814,640 | \$ 7,493,747 | \$ 4,466,680 | \$ 4,053,849 | \$ 2,311,796 | \$ 1,899,911 | \$ 1,605,651 | \$ 1,505,174 | \$ 69,424 | \$ 32,004 | \$ 34,252,876 | \$ 3,029,362 | \$ 94,070 | \$ 3,123,432 | \$ 37,376,308 | \$ 33,321,586 |

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

| | 2022 | 2021 |
|---|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (384,565) | \$ 1,875,009 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 603,282 | 545,230 |
| Amortization of operating right of use asset | 180,594 | - |
| Gain on the sale of property and equipment | (108,080) | (213,182) |
| Equity loss on investment | 23,167 | 37,884 |
| Paycheck Protection Program loan forgiveness | - | (1,537,697) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,021,597) | (105,916) |
| Grants and contributions receivable | (1,173,892) | (1,433,368) |
| Prepaid expenses | (281,659) | 11,817 |
| Other assets | (127,643) | (143,427) |
| Accounts payable and accrued expenses | (110,935) | 261,868 |
| Accrued payroll expenses | 88,169 | 131,902 |
| Contract liabilities | (49,978) | 24,041 |
| Refundable advances | 204,325 | (178,653) |
| Operating lease liability | (198,216) | - |
| NET CASH USED IN OPERATING ACTIVITIES | (2,357,028) | (724,492) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (28,462) | (148,458) |
| Proceeds from the sale of property and equipment | 226,448 | 630,928 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 197,986 | 482,470 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from line of credit | 978,589 | - |
| Principal payments on Paycheck Protection Program loan payable | (268,073) | (87,491) |
| Principal payments on financing leases | (1,088,111) | (1,171,940) |
| Repayments of notes payable | (75,061) | (83,290) |
| NET CASH USED IN FINANCING ACTIVITIES | (452,656) | (1,342,721) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,611,698) | (1,584,743) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 3,110,493 | 4,695,236 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 498,795 | \$ 3,110,493 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | \$ 131,925 | \$ 120,829 |
| NONCASH FINANCING AND INVESTING ACTIVITIES | | |
| Equipment acquired under a financing lease | 1,227,033 | 1,266,508 |
| Obligation of equipment acquired under a financing lease | (1,227,033) | (1,266,508) |
| | \$ - | \$ - |
| Paycheck Protection Program loan forgiveness | \$ - | \$ 1,537,697 |

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies

Organization

Conservation Legacy (the Organization), formerly Southwest Conservation Corps, is a national nonprofit organization, incorporated in Colorado in 1998. Conservation Legacy operates conservation service programs across the country to produce enduring impact through local action. Conservation Legacy programs engage participants on diverse service projects that provide opportunities for personal and professional development and improve our public lands, waters and communities. Program service is delivered through team based or individual experiences where young people complete critical projects including: trail work, fence construction and maintenance, fire fuels reduction/mitigation/rehab, habitat and watershed restoration, historic preservation, invasive species management, inventory and mapping, mining reclamation/restoration, parks/campground maintenance, tree planting and seeding, education/interpretation, volunteer management, capacity building and communications. Conservation Legacy also operates signature program models that respond to disasters, engage specific cohorts of individuals including veterans or populations under-represented in the field of conservation and support specific science and historic preservation projects.

Conservation Legacy's impact is accomplished through locally operated Corps programs including:

- Appalachian Valley Conservation Corps based in Harrisonburg, Virginia;
- Arizona Conservation Corps with offices in Flagstaff and Tucson, Arizona;
- New Mexico Conservation Corps with an office in Las Cruces, New Mexico;
- North Carolina Conservation Corps with an office in Raleigh, North Carolina;
- Stewards Individual Placement Program with offices in Durango, Colorado, and Beckley, West Virginia;
- Preserve America Youth Summits based in Durango, Colorado;
- Southeast Conservation Corps based in Chattanooga, Tennessee;
- Southwest Conservation Corps with offices in Durango and Salida, Colorado;
- Ancestral Lands Conservation Corps with offices in Acoma Pueblo, Navajo Nation, Zuni Pueblo, Hopi-Kykotsmovi, and Albuquerque.

Conservation signature program models include:

- Conservation crew programming is a team-based experience where a cohort of peers work on conservation service projects.
- Individual Placement programming places participants in communities for up to a year-long term of service with government agencies and community-based non profits.
- Affinity programs offer unique program models for under-represented groups to find unity and community in their common identity. An Affinity Crew is a group of people that share a specific identity, typically under-represented in the field of conservation.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

AmeriCorps Disaster Response Teams (A-DRT) are crews that assist communities in disaster relief and recovery. Crews are deployed as response teams on an as-needed basis across the country.

- Veterans Fire Corps (VFC) is a collaborative initiative of Conservation Legacy and state and federal agencies. The VFC engages recent-era Veterans on priority hazardous fuels projects while developing the next generation of wildland firefighters.
- Youth and High School Conservation Crews empower teens aged 14-18 to engage with summer conservation projects in local communities.

Basis of Accounting

Conservation Legacy reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

Conservation Legacy considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables

Accounts receivable and grants and contributions receivable are stated at their net realizable value, and are due under various federal and nonfederal awards and agreements. Conservation Legacy does not maintain an allowance for doubtful accounts, as all amounts are deemed to be collectible. All amounts are due within one year.

Investment in SIEC

Conservation Legacy owns a 50% interest in Southwest Institute for Education and Conservation (SIEC) and accounts for this investment using the equity method of accounting. Conservation Legacy's share of the net income of SIEC is recognized as investment income (loss) in Conservation Legacy's statement of activities and included in the investment in SIEC on the statement of financial position. Distributions received from SIEC are treated as a reduction of the investment account.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Conservation Legacy follows a practice of capitalizing all expenditures for property and equipment in excess of \$5,000 and have an economic life in excess of one year. The estimated fair value of long lived donated assets is similarly capitalized. Depreciation on buildings and improvements is recognized on a straight-line basis over the estimated useful life of 30 years. Depreciation and amortization on vehicles and equipment are recognized on a straight-line basis over the estimated useful lives of 3 to 10 years. The cost of property and equipment that is retired or disposed of is removed

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization (continued)

from the accounts along with the related accumulated depreciation or amortization. Any gain or loss is determined as the difference between the disposal proceeds, if any, and the carrying amount of the asset and is recognized within revenue and support or expenses within the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Impairment of Long-Lived Assets

Conservation Legacy reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended December 31, 2022.

Net Assets

The net assets of Conservation Legacy are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of Conservation Legacy's operations at the discretion of management and the Board of Directors (the Board). The Board has designated a portion of net assets without donor restrictions to serve as an operating reserve.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of Conservation Legacy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2022, Conservation Legacy had no assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

Conservation Legacy has grants with U.S. government agencies and other organizations. Support from government grants are conditioned upon certain conditions and are recognized as contributions when the conditions are met. The expenditures under these grants are subject to review by the granting authority. Revenue recognized on unconditional grants for which payments have not been received is reflected as grants and contributions receivable in the accompanying statement of financial position. Grant awards received in advance, but not yet expended, are reflected as refundable advances in the accompanying statement of financial position.

Conservation Legacy recognizes all unconditional contributed support in the period in which the unconditional commitment is made. Grants and contributions are considered revenue and support without donor restrictions and available for general operations unless specifically restricted by the donor.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Conservation Legacy reports grants of cash and other assets as revenue and support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Conservation Legacy also has service contracts with the U.S. federal government, state government agencies and private companies in exchange for services. These contracts contain a single performance obligation, and revenue under these contracts is recognized over time as the customer receives the benefit from the services over the time services are provided, and there is an enforceable right to payment. Revenue recognized on fixed-price contracts for which payments have not been received is reflected as accounts receivable in the accompanying statement of financial position. Contract payments received but not yet expended for the purpose of the contract are reflected as contract liabilities in the accompanying statement of financial position. Accounts receivable associated with these contracts are expected to be collected within one year and contract liabilities associated with these contracts are expected to be recognized as revenue within one year.

Functional Allocation of Expenses

The costs of providing the various program and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefits on the basis of personnel costs. Conservation Legacy allocates all direct costs directly to programs. Costs that can be allocated to more than one program such as transportation, supplies, communications and equipment (tools and gear) are prorated individually as direct costs using the level of program impact as measured by crew work weeks. The crew work weeks are based on a standard eight-person crew work week for most programs and an individual work week for individual placement programs. Conservation Legacy calculates the cost of a program or project by summing up the expenses by categories for each calendar year and dividing it by total weeks of conservation crew work completed in recent years to obtain the weekly cost by category. The weekly cost by category is then applied to number of weeks to determine the cost to be allocated to the respective program.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Measure of Operations

Operating revenue and expenses generally reflect those revenues and expenses that management can influence. Nonoperating activities include investment income or loss.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). From a lessee perspective, the new guidance is intended to increase transparency and comparability by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability for both operating and finance leases. FASB has issued ASUs subsequent to ASU 2016-02 to further clarify and improve Topic 842.

Upon the adoption of Topic 842 on of January 1, 2022, the Organization recorded initial operating right-of-use asset and lease liability of \$447,622. The Organization elected to apply practical expedients allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; 3) not reassess initial direct costs for any existing leases; and 4) not present a short-term lease, a lease term of 12-months or less, on the statement of financial position. The Organization also elected to apply the practical expedient to use hindsight in determining the lease term.

2. Conditional Contributions

Conservation Legacy considers grants and contributions from government and certain private foundation sources to be conditional contributions. During the year ended December 31, 2022, Conservation Legacy recognized approximately \$28,090,000 related to these conditional grants and contributions. As of December 31, 2022, Conservation Legacy had approximately \$37,014,000 in committed conditional grants from various donors, in varying amounts, which are not reflected in the accompanying statement of activities. These conditional project grants require Conservation Legacy to meet certain conditions and as such, Conservation Legacy has not recognized any revenue from the conditional portions of these grants.

3. Investment in SIEC

During 2007, Conservation Legacy and Durango Education Center formed SIEC, a 501(c)(25) *Title-Holding Corporation for Multiple Parents*, to provide office space and facilities to educational agencies and nonprofit organizations. Conservation Legacy and Durango Education Center have guaranteed the debt of SIEC. SIEC purchased a building at 701 Camino Del Rio, Durango, Colorado, in February 2007 for \$4,875,000. The investment in SIEC is accounted for using the equity method, and accordingly, Conservation Legacy records its share of SIEC’s income or loss. For the year ended December 31, 2022, Conservation Legacy’s net share of SIEC’s loss was \$23,167. For the year ended December 31, 2022, there were no distributions received from SIEC. SIEC owns the building in Durango, Colorado, where Conservation Legacy is headquartered. In 2022, Conservation Legacy paid \$85,441 in

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

3. Investment in SIEC (continued)

office rent and \$17,808 in utilities to SIEC. Conservation Legacy managed the building and provided bookkeeping services to SIEC and was paid management fees of \$18,900, and was reimbursed for costs incurred of \$697 for the year ended December 31, 2022.

The table below contains the summarized financial information of this unconsolidated affiliate based on unaudited estimates as of and for the year ended December 31, 2022.

| | |
|--|---------------------|
| Condensed income statement: | |
| Revenues | \$ 473,456 |
| Expenses | <u>(519,791)</u> |
| Net Loss | <u>\$ (46,335)</u> |
| Condensed balance sheet: | |
| Current assets | \$ 341,016 |
| Noncurrent assets | <u>6,040,546</u> |
| Total Assets | <u>\$ 6,381,562</u> |
| Current liabilities | \$ 112,046 |
| Noncurrent liabilities | 3,824,846 |
| Stockholders' equity | <u>2,444,670</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 6,381,562</u> |

4. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2022:

| | |
|---|---------------------|
| Vehicles and equipment | \$ 6,546,475 |
| Building and improvements | 1,761,394 |
| Land | 263,758 |
| Software & other intangibles | <u>168,012</u> |
| Total Property and Equipment | 8,739,639 |
| Less: Accumulated Depreciation and Amortization | <u>(2,669,053)</u> |
| Property and Equipment, Net | <u>\$ 6,070,586</u> |

Depreciation and amortization expense for the year ended December 31, 2022, was \$603,282.

5. Leases

Financing Leases

Conservation Legacy is the lessee of vehicles and equipment under financing leases expiring in various years through 2026. The assets and liabilities under financing leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

5. Leases (continued)

Financing Leases (continued)

The assets are amortized over the estimated productive lives. The leased vehicles and equipment are included in property and equipment in the accompanying statement of financial position at a cost of \$5,713,451, with accumulated amortization of \$1,341,433 as of December 31, 2022. Amortization of assets under financing leases of \$433,158 is included in depreciation and amortization expense for the year ended December 31, 2022.

The future scheduled minimum payments for the financing leases were as follows at December 31, 2022:

| <u>For the Year Ending</u> <u>December 31,</u> | |
|--|--------------------|
| 2023 | \$ 1,179,933 |
| 2024 | 627,787 |
| 2025 | 345,339 |
| 2026 | 73,997 |
| 2027 | <u>11,924</u> |
| Total Payments | 2,238,980 |
| Amount Representing Interest | <u>(82,969)</u> |
| Financing Lease Obligations (Present Value of Minimum Lease Payments) | 2,156,011 |
| Less: Current Portion | <u>(1,179,933)</u> |
| Financing Lease Obligations, Net of Current Portion | <u>\$ 976,078</u> |

Interest rates on financing leases vary in the range of 4.5% – 5.5% and are imputed based on the lower of the Conservation Legacy's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return. Interest expense on the financing leases totaled \$66,499 for the year ended December 31, 2022. Certain financing leases provide renewal or purchase options. Generally, purchase options are prices representing the expected fair value of the property at the expiration of the lease term. Cash paid on financing leases totaled \$1,088,111 for the year ended December 31, 2022.

Operating Leases

Conservation Legacy leases office space for its Headquarters and other program activity in Durango, Colorado, from SIEC, a related party. The lease term extends through October 31, 2023 with a monthly lease payment of \$7,148, plus utilities. The rent and utilities expenses on this lease were \$85,441 and \$17,808, respectively, for the year ended December 31, 2022. The lease may be canceled by either party with three months' notice.

Conservation Legacy is obligated under the terms of various noncancelable operating leases for office facilities, other than for its Headquarters, the last of which expires in 2026.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

5. Leases (continued)

Operating Leases (continued)

The following summarizes the line items in the statement of financial position which include amounts for the operating lease at December 31, 2022:

| | |
|---|-------------------|
| Operating lease right of use asset | <u>\$ 253,320</u> |
| Operating lease liability, current portion | \$ 147,341 |
| Operating lease liability, less current portion | <u>102,065</u> |
| Total Operating Lease Liability | <u>\$ 249,406</u> |

Lease term and discount rate are as follows at December 31, 2022:

| | |
|----------------------|--|
| Remaining lease term | Various with last one expiring in September 2026 |
| Discount rate | 4.50% |

Future minimum lease payments related to these leases as of December 31, 2022, are as follows:

| <u>For the Year Ending December 31,</u> | |
|---|-------------------|
| 2023 | \$ 147,341 |
| 2024 | 52,119 |
| 2025 | 35,750 |
| 2026 | <u>20,000</u> |
| Sub Total | 255,210 |
| Less: Interest | <u>(5,804)</u> |
| Total | <u>\$ 249,406</u> |

Conservation Legacy rents a portion of the building located in Flagstaff, Arizona, to an unrelated organization. The lease term was for a term of March 1, 2019, through February 28, 2023. Subsequent to year-end, the lease term was renewed for an additional year for a term of March 1, 2023, through February 29, 2024. The tenant may renew the lease for one additional year. Either party to the lease may cancel with written notice of at least six months. On each anniversary of the lease, the rent will increase by no more than 3%. Total rents received under this rental agreement were \$28,223 for fiscal year 2022.

Lease expense for operating leases for the year ended December 31, 2022, was \$205,507 and is included in occupancy expense in the accompanying statement of functional expenses. Cash paid for operating leases for the year ended December 31, 2022 totaled \$209,421.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

6. Debt

Notes Payable

As of December 31, 2022, Conservation Legacy was obligated under the following notes payable to Wells Fargo and Alpine Bank:

| | |
|---|-------------------|
| Wells Fargo Bank: Original amount \$881,000; dated May 31, 2016, with a maturity date of June 1, 2026, monthly payments of \$7,071 with interest at 5.15%, secured by first deed of trust on real property located on Rose Street, Flagstaff, Arizona. | \$ 581,504 |
| Alpine Bank: Original amount \$155,000; dated May 2, 2022, with a maturity date of May 2, 2032; monthly principal and interest payments of \$986.22 with interest at 4.5%, secured by first deed of trust on real property located in Salida, Colorado. | 152,940 |
| Wells Fargo Bank: Original amount \$265,200; dated January 15, 2013, with a maturity date of January 15, 2028; monthly principal and interest payments of \$2,157 with interest at 5.35% secured by first deed of trust on real property located on Prince Road, Tucson, Arizona. | <u>114,680</u> |
| Total Notes Payable | 849,124 |
| Less: Current Portion | <u>(80,933)</u> |
| Notes Payable, Noncurrent Portion | <u>\$ 768,191</u> |

The future scheduled maturities as of December 31, 2022, were:

| <u>For the Year Ending December 31,</u> | <u>Flagstaff Office</u> | <u>Salida Office</u> | <u>Tucson Property</u> | <u>Total</u> |
|---|-----------------------------|--------------------------|----------------------------|-------------------|
| 2023 | \$ 55,814 | \$ 4,960 | \$ 20,159 | \$ 80,933 |
| 2024 | 58,722 | 5,176 | 21,266 | 85,164 |
| 2025 | 61,939 | 5,436 | 22,463 | 89,838 |
| 2026 | 405,029 | 5,690 | 23,712 | 434,431 |
| 2027 | - | 5,955 | 27,080 | 33,035 |
| Thereafter | <u>-</u> | <u>125,723</u> | <u>-</u> | <u>125,723</u> |
| Total | <u>\$ 581,504</u> | <u>\$ 152,940</u> | <u>\$ 114,680</u> | <u>\$ 849,124</u> |

Interest expense for the year ended December 31, 2022, was \$46,457.

Paycheck Protection Program Loan Payable

On April 8, 2020, Conservation Legacy entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$1,915,800. The loan bears interest at a fixed rate of 1% per annum. In June 2021, a portion of the loan principal amounting to \$1,519,340, plus associated accrued interest, was forgiven

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

6. Debt (continued)

Paycheck Protection Program Loan Payable (continued)

pursuant to the provisions of the PPP. The remainder of the loan is being paid through 18 monthly payments of principal and interest of \$22,540, with first payment due on August 9, 2021, and loan maturing on January 9, 2023. The outstanding balance on the loan as of December 31, 2022, was \$22,540. Interest expense on the loan for the year ended December 31, 2022, was \$1,678.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2022, were available for the following projects or programs:

| | |
|--|-------------------|
| Southwest Conservation Corps | \$ 53,472 |
| Ancestral Lands Conservation Corps | 272,645 |
| Arizona Conservation Corps | 55,101 |
| Conservation Corps New Mexico | 43,342 |
| Southeast Conservation Corps | 50,294 |
| Conservation Corps North Carolina | 270,255 |
| Stewards Individual Placements | 35,653 |
| Preserve America Youth Summit | 14,153 |
| Appalachian Conservation Corps | 158,727 |
| Other program initiatives | <u>29,627</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 983,269</u> |

8. Commitments, Risks and Contingencies

Line of Credit

Conservation Legacy has a line of credit of \$2,000,000 with Alpine Bank which matured on April 10, 2023. The interest rate is a variable interest rate based on the JP Morgan Chase Bank prime rate, plus 1%, with a minimum of 4% and maximum of 24% per annum. The line of credit is collateralized by the assets of Conservation Legacy, excluding real estate. The line of credit had a balance outstanding at December 31, 2022, in the amount of \$978,589. Subsequent to year-end, Conservation Legacy, extended the line of credit for an additional year, to mature on April 10, 2024. Interest expense on the line of credit was \$18,969 for the year ended December 31, 2022.

Concentration of Revenue

Conservation Legacy received 52% of its operating revenue and support from the Department of the Interior (DOI), 15% from Department of Agriculture (USDA) and 11% from Corporation for National and Community Service (CNCS). The DOI and USDA funding includes multiple

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

8. Commitments, Risks and Contingencies (continued)

Concentration of Revenue (continued)

small funding amounts from individual public land management units (e.g. National Park Service, Bureau of Land Management etc.) across the country. If these partnerships with DOI and USDA or the agreements with CNCS were terminated, it would have a substantial effect on Conservation Legacy's operations.

Compliance Audit

Conservation Legacy has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures which may be disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time, although Conservation Legacy expects such amounts, if any, to be insignificant.

Concentration of Credit Risk

As of December 31, 2022, Conservation Legacy maintained cash balances in excess of the federally insured limit. Accounts per depositor per institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts held in excess of FDIC insurance coverage as of December 31, 2022, were approximately \$231,000. Conservation Legacy monitors the creditworthiness of these financial institutions and has not experienced any losses on its cash.

9. Availability and Liquidity

Conservation Legacy regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. Conservation Legacy's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2022, were as follows:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 498,795 |
| Accounts receivable | 1,993,846 |
| Grants and contributions receivable | <u>5,411,234</u> |
| Total Financial Assets Available Within One Year | 7,903,875 |
| Less: Amounts unavailable for general expenditures within one year due to donors' purpose restriction | (983,269) |
| Less: Amount unavailable due to board designated restriction | <u>(100,000)</u> |
| Financial Assets Available to Meet General Expenditures Within One Year | <u>\$ 6,820,606</u> |

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

9. Availability and Liquidity (continued)

Conservation Legacy has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of Conservation Legacy throughout the year. This is done through monitoring and reviewing Conservation Legacy's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of Conservation Legacy's cash flow related to Conservation Legacy's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, Conservation Legacy also has a committed line of credit, more fully described in Note 8, of \$2,000,000. As of December 31, 2022, a balance of \$1,021,411 was unused and available to draw upon in the event of an unanticipated liquidity level.

10. Pension Plan

Conservation Legacy has established a defined contribution plan (the Plan) under section 403(b) of the Internal Revenue Code (the IRC). Employees are eligible to participate in the Plan immediately upon hire. Under the terms of the Plan, participants may voluntarily elect to have a portion of their compensation deferred and contributed to the Plan. Conservation Legacy matches up to 3% of annual gross wages for all eligible employees who elect to participate. Participants are fully vested in all plan benefits. Retirement plan expense for 2022 was \$125,700.

11. Income Taxes

Conservation Legacy qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. There is no accrual for income tax expense, as Conservation Legacy had no unrelated business income for the year ended December 31, 2022.

Conservation Legacy has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. Conservation Legacy has evaluated its uncertainty in income taxes for the year ended December 31, 2022, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2022, the statute of limitations for certain tax years remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which Conservation Legacy files tax returns. There are currently no examinations pending or in progress. It is Conservation Legacy's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest and/or income tax expense.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

12. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Conservation Legacy's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

13. Subsequent Events

In preparing these financial statements, Conservation Legacy has evaluated events and transactions for potential recognition or disclosure through September 29, 2023, the date the financial statements were available to be issued. Except as disclosed above in Note 5 regarding the renewal of the office sublease and in Note 8 regarding the renewal of the line of credit, there were no events that required recognition or disclosure in these financial statements.

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Conservation Legacy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Conservation Legacy (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Washington, DC
September 29, 2023

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of the
Conservation Legacy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Conservation Legacy's (the Organization's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Washington, DC
September 29, 2023

CONSERVATION LEGACY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Through to Subrecipients | Total Federal Expenditures |
|---|------------------------------|---|-----------------------------|-------------------------------|
| U.S. DEPARTMENT OF THE INTERIOR | | | | |
| National Park Service | | | | |
| Rivers, Trails and Conservation Assistance | 15.921 | N/A | \$ - | \$ 78,597 |
| Youth and Veteran Organizations Conservation Activities | 15.931 | N/A | 100,411 | 12,955,770 |
| Natural Resource Stewardship | 15.944 | N/A | - | 92,597 |
| Cultural Resources Management | 15.946 | N/A | - | 13,800 |
| National Park Service Conservation, Protection, Outreach, and Education | 15.954 | N/A | - | 123,690 |
| <i>Pass-Through from National Park Foundation</i> National Park Service Conservation, Protection, Outreach, and Education | 15.954 | AZCC 20 NPF | 5,400 | 375,871 |
| Total for Assistance Listing Number 15.954 | | | 5,400 | 499,561 |
| Bureau of Land Management | | | | |
| <i>Pass-Through from CYCA</i> | | | | |
| BLM Fuels Management and Community Fire Assistance Program Activities | 15.228 | CYCA-SUB-SCCLV, CYCA-SUB-SCCFC | - | 17,000 |
| Youth Conservation Opportunities on Public Lands | 15.243 | N/A | 333,799 | 3,621,454 |
| <i>Pass-Through from CYCA</i> Youth Conservation Opportunities on Public Lands | 15.243 | CYCA-SUB-SCCLV, CYCA-SUB-SCCFC | - | 268,170 |
| Total for Assistance Listing Number 15.243 | | | 333,799 | 3,889,624 |
| Bureau of Indian Affairs | | | | |
| Cultural Resources Management | 15.159 | N/A | - | 61,500 |
| Office of Surface Mining | | | | |
| Abandoned Mine Land Reclamation | 15.252 | N/A | - | 7,500 |
| OSM/VISTA AmeriCorps | 15.254 | N/A | - | 251,715 |
| Bureau of Reclamation | | | | |
| Youth Conservation | 15.546 | N/A | - | 160,580 |
| United States Fish and Wildlife Service | | | | |
| Adaptive Science | 15.670 | N/A | - | 61,407 |
| Youth Engagement, Education, and Employment | 15.676 | N/A | - | 368,318 |
| Total U.S. Department of the Interior | | | 439,610 | 18,457,969 |
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Pass-through from National Forest Foundation</i> | | | | |
| National Forest Foundation | 10.682 | CN-217, YO-801 | - | 18,848 |
| Soil and Water Conservation | 10.902 | N/A | - | 111,573 |
| <i>Pass-through from American Forest Foundation</i> | | | | |
| Soil and Water Conservation | 10.902 | NR183A7500120002 | - | 63,588 |
| Total for Assistance Listing Number 10.902 | | | - | 175,161 |
| Environmental Quality Incentives Program | 10.912 | N/A | - | 372,967 |
| Total U.S. Department of Agriculture | | | - | 566,976 |

See accompanying notes to this schedule.

CONSERVATION LEGACY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

(continued)

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Through to Subrecipients | Total Federal Expenditures |
|--|------------------------------|---|-----------------------------|-------------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| <i>Pass-Through from Rocky Mountain Youth Corps</i> | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | B08TI010006 | \$ - | \$ 47,876 |
| Total U.S. Department of Health and Human Services | | | - | 47,876 |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | | |
| AmeriCorps | | | | |
| AmeriCorps | 94.006 | | - | 2,134,270 |
| <i>Pass-Through from State of Arizona</i> | | | | |
| AmeriCorps | 94.006 | AC-CFX-21-090121-02, AC-CFX-21-090121-02Y2 | - | 593,735 |
| <i>Pass-Through from NC Commission on Volunteerism and Community Service</i> | | | | |
| AmeriCorps | 94.006 | 20ESHNC0010001, 22ESHNC0010001 | - | 219,923 |
| <i>Pass-Through from Serve New Mexico Commission</i> | | | | |
| AmeriCorps | 94.006 | 21ES236031, 20FXHNM0010001 | - | 75,000 |
| <i>Pass-Through from The Corps Network – OYSI</i> | | | | |
| AmeriCorps | 94.006 | 19EDHDC0030011 | - | 362,823 |
| <i>Pass-Through from The Corps Network – TIP</i> | | | | |
| AmeriCorps | 94.006 | 18NDHDC0020001 | - | 6,993 |
| <i>Pass-Through from Volunteer West Virginia</i> | | | | |
| AmeriCorps | 94.006 | 22AC246674 | - | 63,565 |
| <i>Pass-Through from Conservation Serve Kentucky</i> | | | | |
| AmeriCorps | 94.006 | 20AFHKY001 | - | 17,245 |
| Total for Assistance Listing Number 94.006 | | | - | 3,473,554 |
| Volunteers in Service to America (VISTA) | | | | |
| Volunteers in Service to America | 94.013 | N/A | - | 228,895 |
| Disaster Preparedness | | | | |
| CNCS Disaster Response Cooperative Agreement | 94.020 | N/A | - | 8,598 |
| Total Corporation for National and Community Service | | | - | 3,711,047 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 439,610 | \$ 22,783,868 |

See accompanying notes to this schedule.

CONSERVATION LEGACY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Conservation Legacy under programs of the federal government for the year ended December 31, 2022. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Conservation Legacy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Conservation Legacy.

2. Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Conservation Legacy has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CONSERVATION LEGACY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

_____ Yes X No

Identification of major federal programs:

| <u>Name of Federal Program or Cluster</u> | <u>Assistance Listing Numbers</u> |
|--|-----------------------------------|
| Youth Conservation Opportunities on Public Lands | 15.243 |
| Youth Engagement, Education, and Employment | 15.676 |
| Environmental Quality Incentives Program | 10.912 |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee?

 X Yes _____ No

CONSERVATION LEGACY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None required to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required to be reported.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

Financial Statement Audit Findings

None reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None reported.